News Release

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit rating.

Niterra Co., Ltd. (security code: 5334)

<Affirmation>

Long-term Issuer Rating:	AA-
Outlook:	Stable
Bonds:	AA-
Shelf Registration:	Preliminary AA-
Short-term Issuer Rating:	J-1+
CP:	J-1+

Rationale

(1) Niterra Co., Ltd. (the "Company") is a leading automotive components manufacturer. A majority of its profits come from the internal combustion engine ("ICE") business (automotive components business), which offers such products as spark plugs and oxygen sensors boasting the world's largest market shares. As the shift to electric vehicles progresses, the Company aims transition to a business structure that does not rely on products for ICE products by around 2030. Under the medium-term management plan for the fiscal year ended 2022 (FY2021) through FY2024, the Company assumes that the portfolio of sales for the final year will be 75% from the internal combustion segment and 25% from the non-internal combustion segment, and has set numerical targets such as an operating income of 100 billion yen. In July 2023, the Company announced that it would begin discussions and consideration to acquire the spark plug business and the exhaust gas oxygen sensor business of DENSO CORPORATION ("DENSO"; security code: 6902).

(2) The ratings are supported by the Company's highly competitive position in the ICE business backed by its technological superiority, and its favorable financial structure. Current earnings are strong, especially in the ICE business. Going forward, it is highly likely to maintain high profitability in the ICE business over the medium term, by increasing the share of high-value-added plugs and sensors, and reducing fixed costs, in addition to the highly profitable repair use products with more than 70% of plug sales. The Company also maintains a favorable financial structure. The business acquisition from DENSO is expected to take time due to competition law relations, but it is believed that the acquisition will lead to the strengthening of the ICE business through economies of scale and the optimization of the production system. Furthermore, given that the Company plans to make the most of its existing facilities and has a favorable financial structure, JCR does not currently anticipate any excessive financial burden associated with the business acquisition. Taking the above into consideration, JCR has affirmed the ratings on the Company with Stable outlook. JCR will follow up on the progress of the business structure transformation, as well as the synergy effects of business acquisition and its financial burden.

(3) Operating income (IFRS) for FY2023 is planned to be 110 billion yen, up 23.3% year on year. Even excluding the effects of the weaker yen, the Company plans to increase income, as the recovery in auto production and the passing on of cost increases to prices are expected to contribute to the income increase. Because it will likely take time for the non-ICE businesses to make a full-fledged profit contribution, the ICE business is assumed to drive profits in the medium term.

(4) Financial indicators are at a favorable level, with an equity ratio of slightly over 60%. Investments to increase production capacity in the ICE business have peaked, and the Company plans to allocate cash generated in the ICE business to non-ICE businesses. While seeing that a favorable financial structure will be maintained, JCR will follow up on the impact of the above-mentioned business acquisition.

Mikiya Kubota, Akio Kamimura

Rating

Issuer: Niterra Co., Ltd.

<Affirmation>

Long-term Issuer Rating: AA-   Outlook: Stable

Issue	Amount (bn)	Issue Date	Due Date	Coupon	Rating
Bonds no. 9	JPY 10	June 14, 2018	June 14, 2028	0.370%	AA-
Bonds no. 10	JPY 20	June 20, 2019	June 20, 2024	0.110%	AA-
Bonds no. 11	JPY 10	June 20, 2019	June 20, 2029	0.270%	AA-

Shelf Registration: Preliminary AA-
 Maximum: JPY 50 billion
 Valid: two years effective from February 23, 2023

Short-term Issuer Rating: J-1+
 CP: J-1+
 Maximum: JPY 10 billion

Rating Assignment Date: January 17, 2024

The assumptions for the credit ratings and the definitions of the rating symbols are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

Outline of the rating methodology is shown as "JCR's Rating Methodology" (November 7, 2014) and "Auto Parts Manufacturers" (August 1, 2023) in Information about JCR Ratings on JCR's website (https://www.jcr.co.jp/en/).

The rating stakeholder participated in the rating process of the aforementioned credit ratings.

A preliminary rating is a credit rating assigned as a preliminary evaluation while material terms for issue to be rated are not yet finalized. When the issuing terms are finalized, JCR will confirm them and will assign a credit rating anew. The rating level of the final rating may be different from that of the preliminary rating, depending on the final content of the terms, etc.

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